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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/611,548	07/07/2000	DOUGLAS G. LOWENSTEIN	114595-2	6763

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EXAMINER	
CHENCINSKI, SIEGFRIED E	
ART UNIT	PAPER NUMBER
3628	

DATE MAILED: 04/20/2006

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary	Application No.	Applicant(s)	
	09/611,548	LOWENSTEIN ET AL.	
	Examiner	Art Unit	
	Siegfried E. Chencinski	3628	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on *20 January 2006*.

2a)☒ This action is **FINAL**. 2b)☐ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) *1-118* is/are pending in the application.

4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☒ Claim(s) *1-55 and 60-118* is/are allowed.

6)☒ Claim(s) *56,58 and 59* is/are rejected.

7)☒ Claim(s) *57* is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____.

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☐ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☐ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08) Paper No(s)/Mail Date _____.
4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____.
5) ☐ Notice of Informal Patent Application (PTO-152)
6) ☐ Other: _____.

DETAILED ACTION

Allowable Subject Matter

1. **Claims 1, 2, 28, 31, 60, 74, 93 and 102 are allowed** because the claimed limitations read over the prior art of record.

Claims 3-27, 29-30, 32-52, 54, 55, 61-73, 75-83, 94-101 and 103-118 are allowed due to their dependency on independent claims 1, 2, 28, 31, 60, 74, 93 and 102.

Claim 57 is objected to as being dependent upon a rejected base claim, but would be allowable if rewritten in independent form including all of the limitations of the base claim and any intervening claims.

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

2. **Claims 56, 58 & 59 are rejected** under 35 U.S.C. 103(a) as being disclosed by Nancy R. Little, What you need to know about financing with synthetic leases, Practical Real Estate Lawyer, vol. 5, No. 2, pages 35-46, March 1999 (hereafter Little) in view of Weatherly et al. (U.S. Patent No. 6,049,784, hereafter Weatherly), **Re. Claim 56,** Little discloses a method, comprising the steps of leasing an interest in real estate from a special purpose entity to a tenant, the special purpose entity being a legal entity owned by a landlord of the real estate that includes the leased interest; wherein the special purpose entity owning the lease of the leased interest, development of an asset underlying the leased interest being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the asset (Page 36, col. 1, ll. 3-7, col. 2, ll. 19-25; Page 43, col. 2, ll. 34-36; Page 42, col. 1, ll. 4-8). Little does not explicitly disclose at

least some portion of originating, managing, or analyzing the lease is performed on a computer. However, Weatherly discloses at least some portion of originating, managing, or analyzing the lease is performed on a computer (Col. 4, ll. 16-21). Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to combine the teachings of Little and Weatherly to make available a computerized method for leasing an interest in real estate through a special purpose entity to a tenant. The motivation of the practitioner would have been to create property transactions which are beneficial to both lessor and lessee (Weatherly, col. 1, ll. 4-7).

Re. Claim 58, Little discloses wherein leasing tenant improvements within a space from a special purpose entity to a tenant, the special purpose entity being a legal entity owned, or leased the tenant improvements, by a landlord of the space, the special purpose entity being capitalized by participations comprising:

(a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and

(b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements (Page 42, col. 2, l. 20 – Page 43, col. 1, l. 30).

Re. Claim 59, Little discloses wherein the debt is secured by a triple-net absolute rent obligation of the tenant under a lease of the improvements (Page 37, col. 1, ll. 10-13).

Response to Arguments

3. Applicant's arguments filed January 20, 2006 have been fully considered but they are not persuasive.

A. REQUESTS FOR CLARIFICATION:

1. A. Request for Confirmation of Relevance (p. 3, ll. 8-25).

The Office Action designates the following portions of the Little reference (see items (a) through (d) below)

. Because the Office Action does not "explain" the pertinence of the portions designated, there is some uncertainty in ascertaining the Examiner's view. Applicant requests that the Examiner confirm that these are the sections that were intended to be designated, so that it will be clear that both parties are proceeding from a common starting point:

(a) Page 36, col. 1, lines 3-7 (is this a typo?)

A synthetic lease is a financing arrangement that is treated as a lease for financial accounting purposes and a loan for Federal income tax purposes.

RESPONSE:

(1) This was not a typo.

(2) The relevance is to fix the definition of a synthetic lease as disclosed by Little.

(b) Page 36, col. 2, lines 19-25:

The lessor views the arrangement as a credit transaction with the lessee retaining all construction and operational risks. In essence, the lessor is making a loan that it expects to be repaid through the rent payable under the lease.

RESPONSE:

The relevance is to further fix the definition of a synthetic lease as disclosed by Little.

(c) Page 43, col. 2, lines 34-36 (is this a typo?):

The structure of the lease is determined at least in part by the accounting rules noted above (underlining added for emphasis).

RESPONSE:

(1) This was not a typo.

(2) The relevance is to further fix the definition of a synthetic lease and a special purpose entity as disclosed by Little.

(3) The accounting rules "noted above" in this citation of Little are an explicit part of the rejection rationale since they were explicitly referred to in the rejection. The accounting rules section spans two sections, the accounting rules per se (p. 38, col. 2, l. 11 through p. 41, col. 1, bottom), and the "Structuring for Accounting Rules"

section, (p. 41, col. 2, l. 1 through p. 47, end), which is the implementation section for the accounting rules. The accounting rules are complex and significantly limiting. (4) One part of the accounting rules section states that "the typical synthetic is structured with a three percent equity contribution". The ordinary practitioner of the art would have understood this section, along with the section on special purpose entities and landlords (i.e. owners of a property involved in a SPE/synthetic lease transaction)) to suggest that most synthetic leases are structured with a three percent equity participation by the landlord/lessor in order to achieve the off-balance sheet treatment under EITF 90-15, referred to in the sentence immediately following the cited sentence. This is one of the reasons why this claim has been rejected under the 35 CFR 103 (a) obviousness statute, namely that "the typical synthetic is structured with a three percent equity contribution", versus all being structured in this manner or that a synthetic MUST be structured with the equity contribution. Several different tyes of parties may be the lessor. However, the PRACTICE CHECKLIST on page 47, lines 3-5 states "The lessee may enter into a contract to acquire the asset but must make sure that the lessor acquires title to any real property to comply with the accounting rules described above". Thus we have the disclosure of a landlord, and further a landlord is the lessor who is the owner of the Special Purpose Entity (per page 42, col. 2, lines 10-15), as stated in limitation (b) of claim 56 (the special purpose entity owned the landlord). Page 42, col. 1, l. 24 through page 42, col. 2, l. 9 discusses preferred structures and types of parties to serve as lessors.

(d) Page 42, col. 1, lines 4-8:

The first test of EITF 90-15 is met in a synthetic lease if the transaction is structured using a special purpose entity, as described below, as the lessor.

RESPONSE:

The examiner's responsive discussion of the relevance of item (c) above ties together the Special Purpose Entity (SPE), the lessor, and the lessee.

GENERAL RELEVANCE:

(1) An overarching factor in the Little disclosure is that a synthetic lease and a Special Purpose Entity (SPE) do not stand alone in typical arrangements without a landlord. It was therefore obvious to the ordinary practitioner of the art at the time of Applicant's invention to include a landlord in his invention making use of synthetic leases and SPE's.

2. Applicant requests the following:

(a) a specific designation of any portion of any reference that is thought to teach that "the special purpose entity [owns] the lease of the leased interest,"

(b) a specific designation of any portion of any reference that is thought to teach "development of an asset underlying the leased interest being financed by debt issued by the special purpose entity,"

(c) a specific designation of any portion of any reference that is thought to teach "the debt being non-recourse against the special purpose entity, the landlord and the asset," and

(d) clear explanation(s) of pertinence (p. 4, ll. 21-30).

RESPONSE:

(a) Little, page 42, col. 1, ll. 4-8 (The first test of EITF 90-15 is met in a synthetic lease if the transaction is structured using a special purpose entity, as described below, as the lessor. Also, see p. 37, col. 2, ll. 7-10). The pertinence is explained in sections A. 1. (a) through (d).

(b) Little discloses as one of the benefits of the use of a synthetic lease and a SPE as follows: "The lessee receives off-balance sheet accounting treatment for both the asset and the debt incurred to finance the acquisition of the property" (page 36, col. 1, ll. 21-26). Further, the lessor finances the development of the asset underlying the leased interest being financed by debt issued by the SPE. The SPE is typically owned by a financial institution who views the transaction as a secured credit transaction. (p. 36, col. 1, ll. 21-26, ll. 3-13; p. 36, col. 2, ll. 18 – p. 37, col. 1, l. 23; p. 37, col. 2, ll. 1-15).

(c) This is answered in the response section of A.1.(c) above.

(d) The examiner believes that he has clearly explained the pertinence of the Little reference to every one of the three limitations for which Applicant has requested a complete explanation. The Little reference as a whole has clearly been relevant in its entirety since Little thoroughly reviewed the subject of synthetic leases, Special Purpose Entities (SPE's) and a number of the various embodiments available in this regulated area of finance. This areas of activity is made possible by substantially defined accounting rules and guidelines and by tax regulations which confine the art. Highlights of the defined accounting rules are disclosed by Little.

3. Request for Confirmation of Patent Term Adjustment

Applicant requests

(a) Re-confirmation that finality of the Office Action of 1/29/2003 was withdrawn.

(b) Confirmation that this application is not currently being prosecuted under a Request for Continued Examination, and remains eligible for the following adjustments to patent term:

- U.S.C. § 154(b)(1)(A)(ii): Failure of the Office to respond within four months to Applicant's replies *filed* 3/31/2003 *and* 4/30/2004.
- 35 U.S.C. § 154(b)(1)(B): Failure of the Office to issue a patent within 3 years after the actual filing date of the application, 7/7/2000.
- 35 U.S.C. § 154(b)(1)(A)(i): Failure of the Office to provide a complete first action on the merits consistent with the rules of any claim consistent with Patent Office rules before 10/20/2005.
- 35 U.S.C:. § 154(b)(l.)(A)(i): Failure of the Office to provide a complete first action on the merits consistent with the rules or notice of allowance of claim 56 within 14 months of filing - this time continues to run.

(Page 7, ll. 15-31).

RESPONSE:

(a) The prosecution record shows that the two most recent Office Actions, dated October 20, 2005 and January 22, 2004, are both non-final Office Actions, as stated on both forms PTOL-326 (Office Action Summary), thus withdrawing the final Office Action dated January 29, 2003.

(b) There is no evidence in the prosecution record of this application that a Request for Continued Examination has been filed. Therefore, this application is not currently being prosecuted under a Request for Continued Examination. This application remains eligible for all remedies available under existing patent laws and regulations which may apply to this application. However, many of these remedies are outside the jurisdiction of the examiner.

4. Re. Finality of Future Office Actions

In the interview, it was agreed that **any** future rejection that relied on any new support, even if drawn from Little or Weatherly, would be a "new ground of rejection" that prevented final *rejection. In re Kumar,* 418 F .3d 1361, 1367, 76 tUSPQ2d 1048, 1051 (Fed. Cir. 2005) (any "additional explanation," even one based *on the* identical references, is a "new ground of rejection").

RESPONSE: The examiners did not agree during the interview on December 19, 2005 or at any other time to any prosecutorial treatment which deviates from the currently applicable MPEP and current Office policies or as such policies may change during the prosecution of this application.

B. ARGUMENTS

1. No relationship between the landlord and the SPE is apparent in the cited portions of the Little article, let alone the "owned by" relationship recited in claim 56. Indeed, the Little article suggests away from claim 56 (p. 5, ll. 5-6).

2. The motivation to combine Weatherly with Little cited by the examiner is not permissible (p. 6, ll. 15-18).

RESPONSE:

1. As discussed in section A of this response to arguments, the cited portions of Little cannot be viewed in isolation, since they make no sense without the context of the entire disclosure, as the article concerns itself with one complex, regulated financial subject, as represented by the title "What You Need to Know About Financing with Synthetic Leases". The main focus of the article is on the accounting

and tax rules and regulations, and the ways to implement or make use of these rules and regulations.

The rejection of claim 56 is based on the 35 USC 103 (a) obviousness statute only because there are various options disclosed as available to practitioners of this art. However, all of the options are limited by accounting and tax regulations. The responses above document the relationship between the landlord and the SPE, as well as the "owned by" relationship recited in claim 56. Little discloses that in typical transactions, the owner in the transaction is the lender, who typically also is the lessor, and the owner of the SPE. One can sum it up by describing many transactions as being between a lender and a lessee who are involved together in a special financing arrangement permitted by accounting and tax regulations which can financially benefit both the lender and the lessee. The specific pages, columns and lines documented above prove conclusively that Applicant has merely followed the path of the options permitted by the accounting and tax regulations described by Little in an article written to inform practitioners of the art of real estate and other asset financing, which the article states includes build-to-suit, office, manufacturing, distribution facilities and equipment such as aircraft (p. 35, col. 2, l. 2 through p. 36, col. 1, l. 2).

2. **Re. permissible motivation to combine references**, the examiner recognizes that one cannot arbitrarily combine references. However, *In re Keller, Terry, and Davies*, 208 USPQ 871 (CCPA 1981) states: □It is not necessary that device shown in one reference can be physically inserted into device shown in other reference to justify combining their teachings in support of rejection.□ Test of obviousness is not whether features of secondary reference may be bodily incorporated into primary reference's structure, nor whether claimed invention is expressly suggested in any one or all of references; rather, test is what combined teachings of references would have suggested to those of ordinary skill in art.□ (Underlining added).

This doctrine has been further bolstered in a 2006 ruling by the Federal Circuit Court, as follows: ""A suggestion, teaching, or motivation to combine the relevant prior art teachings does not have to be found explicitly in the prior art, as the teaching, motivation, or suggestion may be implicit from the prior art as a whole, rather than expressly stated in the references. . . . The test for an implicit showing is what the combined teachings, knowledge of one of ordinary skill in the art, and the nature of the

problem to be solved as a whole would have suggested to those of ordinary skill in the art (underling added). In re Kotzab, 217 F.3d 1365, 1370 (Fed. Cir. 2000). However, rejections on obviousness grounds cannot be sustained by mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning (underling added) to support the legal conclusion of obviousness. See Lee, 277 F.3d at 1343-46; Rouffett, 149 F.3d at 1355-59. This requirement is as much rooted in the Administrative Procedure Act, which ensures due process and non-arbitrary decisionmaking, as it is in § 103. See id. at 1344-45." In re Kahn, Slip Op. 04-1616, page 9 (Fed. Cir. Mar. 22, 2006).

In this case, the examiner has followed these principles to determine of "what the combined teachings, knowledge of one of ordinary skill in the art, and the nature of the problem to be solved as a whole would have suggested to those of ordinary skill in the art" and believes that he has supplied and expanded upon this with "articulated reasoning with some rational underpinning to support the legal conclusion of obviousness". The motivation from Weatherly fits the situation because it solves the problem and is stated in a prior art reference which is in analogous art. The age of the ubiquitous use of computers which preexisted Applicant's date of invention makes the combination of the computer utilization disclosed by Weatherly a simple and straightforward application for the purpose of "some portion of originating, managing, or analyzing the lease is performed on a computer" does not require in further depth rationale to demonstrate.

4. A. Communications Formalities:

- The Applicant's amendments to the specification contained in Applicant's paper of March 31, 2003 as Appendix 1 and received on March 31, 2003 have been entered.
- Applicant's Change of Correspondence Address to 787 Seventh Avenue, NY, NY has also been entered.

- Enclosed is a checked off copy of Form 1449 entered on November 10, of 2004. This copy is presumed to have the same content as the Form 1449's filed in April and June of 2003.
- The Replacement Specification received on October 3, 2005 has been entered into the record.
- The above prosecution of claims is based on the Remarks and Claims as amended in Applicant's paper dated April 30, 2004, and received on May 3, 2004, and the Specification as amended on March 31, 2003.

B. Arguments

(1) There is no motivation to combine Little and Weatherly.

RESPONSE: Little and Weatherly both teach methods within the art of real estate accounting and real estate transactions. Further, the motivation of the practitioner would have been to create property transactions which are beneficial to both lessor and lessee (Weatherly, col. 1, ll. 4-7).

(2) A Special Purpose Entity (SPE) related to the landlord is not contained in the portion of the reference (Little) cited in the rejections involving a SPE.

RESPONSE: The Special Purpose Entities (SPE) disclosed by Little involve landlords by definition (Little, p. 35, col. 2 – p. 47, end).

(3) Has Official Notice been withdrawn in the rejections?

RESPONSE: YES.

(4) Has the list of 7 IDS submitted in April and June of 2003 been acknowledged and considered?

RESPONSE: YES. The initialed copy of Applicant's Form 1449 is enclosed with this Office Action.

Conclusion

5. THIS ACTION IS MADE FINAL. Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the mailing date of this final action.

Any inquiry concerning this communication or earlier communications from the Examiner should be directed to Siegfried Chencinski whose telephone number is (571)272-6792. The Examiner can normally be reached Monday through Friday, 9am to 6pm.

If attempts to reach the Examiner by telephone are unsuccessful, the Examiner's supervisor, Hyung S. Sough, can be reached on (571) 272-6799.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see http://pair-direct.uspto.gov. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

Any response to this action should be mailed to:

Commissioner of Patents and Trademarks, Washington D.C. 20231

or (571)*273-8300* [Official communications; including After Final communications labeled "Box AF"]

(571) 273-6792 [Informal/Draft communications, labeled "PROPOSED" or "DRAFT"]

Hand delivered responses should be brought to the address found on the above USPTO web site in Alexandria, VA.

SEC

April 13, 2006

FRANTZY POINVIL
PRIMARY EXAMINER
Au 3628